[The Deputy Chairman] [24th March 1950

"In addition to the above, under rule 144 of the Madras Council Rules, I nominate the following two members to be members of the said Committee :—

(1) Mrs. M. Hensman.
(2) Sri L. Subbarama Reddi."

(b) ELECTION OF NINE MEMBERS TO THE COMMITTEE OF PRIVILEGES.

THE DEPUTY CHAIRMAN :—" I have to inform the House that the following candidates were nominated for election of nine members to the Committee of Privileges for the financial year 1950–51 :—

(1) Dr. Syed Tajuddin.
(2) Sri H. M. Jagannatham.
(3) ,, Mothey Narayana Rao.
(4) ,, K. Manathunainatha Desigar.
(5) Dr. P. S. Srinivasan.
(6) Sri M. Narayana Menon.
(7) ,, N. Sankara Reddi.
(8) ,, S. B. Adityan.
(9) Dr. A. Lakshmanaswami Mudaliyar.
(10) Janab K. Uppi.

" Sri H. M. Jagannatham has since withdrawn his candidature.

" As the number of candidates remaining is equal to the number of vacancies to be filled, viz., nine, I hereby declare them to have been duly elected to the Committee of Privileges."

(c) ELECTION OF ONE MEMBER TO THE LOCAL ADVISORY COMMITTEE OF THE MADRAS AND SOUTHERN MAHRATTA RAILWAY.

THE DEPUTY CHAIRMAN :—" I have to announce to the House that Sri N. Ranga Reddi is the only candidate duly nominated for the election of one Member of the Legislative Council to the Local Advisory Committee of the Madras and Southern Mahratta Railway. I hereby declare him duly elected."

III.—DEMANDS FOR GRANTS FOR EXCESS EXPENDITURE IN 1946–47.

3-30 p.m. THE DEPUTY CHAIRMAN :—" We shall now proceed with the discussion of the Statement of Demands for Grants for Excess Expenditure in 1946–47 and the Supplementary Statement of Expenditure for 1949–50."

SRI R. SURYANARAYANA RAO :—" We may follow the convention which the Hon. the Finance Minister wanted to . . ."

THE DEPUTY CHAIRMAN :—" If it is necessary, we may have a separate discussion on these Demands. First we may take the Demands for Excess Expenditure in 1946–47 and then the Demands for Supplementary Grants for 1949–50."

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Dr. V. K. JOHN :—" May I suggest that we may have a discussion on both together in order to save time. I would prefer that course. We may just refer to the Demands for Excess Grants in the course of our observations."

The DEPUTY CHAIRMAN :—" If it is the sense of the House, I have no objection."

The Hon. Sri B. GOPALA REDDI :—" One relates to 1946–47 and the other to 1949–50. How can we have a combined discussion on both, Sir?"

Sri R. SURYANARAYANA RAO :—" Might we then say that we have no remarks to offer on the demands for 1946–47, because, Sir, the present Hon. the Finance Minister was not responsible for any expenditure incurred in 1946–47 and all that he is now doing is to regularise the accounts as the Accountant-General has taken some time to make adjustments and render accounts."

Dr. V. K. JOHN :—" The Finance Minister also referred to both in the same speech last time."

The DEPUTY CHAIRMAN :—" But they were separately put to the House last time."

The Hon. Sri B. GOPALA REDDI :—" I made no speech on the Excess Demands for Grants. I made a speech only on the Supplementary Demands. I suggest, Sir, that the Excess Demands might be passed without much ado and that we concentrate on the Supplementary Demands."

The DEPUTY CHAIRMAN :—" I take it that hon. Members have no remarks to offer on the Excess Demands for 1946–47."

Dr. V. K. JOHN :—" I want to make a few remarks, Sir."

The DEPUTY CHAIRMAN :—" Yes."

* Dr. V. K. JOHN :—" Sir, the statement of Demands for Grants for Excess Expenditure in 1946–47 reveals a very unfortunate state of affairs. The House might remember that we had a Budget for 1946–47 and then we had a Supplementary Demand or two supplementary demand. We thought that the expenditure not covered by the Budget was covered by the Supplementary Demand. We thought that everything was closed and that the expenditure was regularized. Later on, the Accountant-General went into the figures of 1946–47 and gave his audit report. We find that lakhs of rupees have been spent over and above the sums covered by the Budget and the Supplementary Demands. When were they discovered? They were discovered only when the audit was carried out. We are now in 1950–51 and the Finance Minister comes forward . . ."

The Hon. Sri B. GOPALA REDDI :—" We are now in 1949–50 Sir."

* Dr. V. K. JOHN :—" Now the Finance Minister comes forward and says that the Government have spent not only what

was covered by the Budget and the Supplementary Demands, but they have now discovered from the audit reports that lakhs of rupees have been spent without any authority, whatsoever, in 1946–47. Sir, I attach no blame personally to the present Finance Minister. But, this state of affairs shows that the Finance Department has neither grip nor grasp nor control over the expenditure incurred by the various departments. If it had the grip, grasp or control, this could never have arisen. I ask, Sir, whether there is no self-audit to find out what is actually spent every year. I am mentioning this, because I am afraid that the same thing may be continuing even now. The Budgets that we are having, the first Supplementary Demand and the second Supplementary Demand—all these will be found to be defective and three years later the Auditor-General will come forward and say that the Government have spent a few crores of rupees over and above what had been sanctioned. Now look at the expenditure incurred in 1946–47, but not brought to light in 1946–47 and not covered by the Budgets and the Supplementary Demands in 1947–48 and in 1948–49 but brought to light only in 1950. One of the items relates to loans and advances, loans to municipalities and port funds, etc. It is stated :

'The excess disbursement under this head occurred mainly in the districts of Krishna, Anantapur, Bellary, Mathurai, Ramnad and Coimbatore. It was mainly due to larger number of applications for these loans received and sanctioned during the concluding part of the year than was previously anticipated. . . . In January 1946, the Government sanctioned a loan of Rs. 2 lakhs to the Court of Wards on the simple mortgage of the impartible estate of Salur . . . . The reason for the omission to provide funds in the budget for 1946–47 is primarily due to the fact that the loan was disbursed very late in the official year 1946–47 and without any intimation to the Board or to the Government that the loan would be disbursed during the financial year and provision of funds would be necessary.'

There was a Supplementary Demand on the 14th March 1947. When money is spent by a department, has the Finance Department no grip on that expenditure? Is no report sent by that Department? I am not finding fault personally with any Finance Minister, because it is impossible for any Finance Minister to go into these details himself. But surely when a few lakhs of rupees have been spent, the Finance Department must know that these monies have been spent. How can this escape their attention all the while, so that it has not found a place in the Budget and in the Supplementary Demands and has not been discovered in 1948 and 1949? We are now in March 1950 and the matter is brought before an obliging House and they are asked to say that the whole thing is in order. I say, Sir, that this reveals a very unsatisfactory state of affairs and that it shows that the Finance Department has neither grip, nor grasp nor control over the expenditure. It shows that the various spending departments do not keep the Finance Department informed of such expenditure amounting to lakhs and lakhs of rupees. They are very substantial sums. Is there no self-audit of what the Government spend? That shows that everything is in a mess. It is stated in the Memorandum :

'The Accountant-General now-a-days takes more than a year to have the Appropriation Accounts ready owing to the large number of departments and the time taken by each to reconcile the accounts.'

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That is the excuse for not finding this out. The fault is placed on the Accountant-General. I ask, Sir: "Is the Government of this State run on proper lines? Is there a department to which reports are sent when moneys are spent by other departments?" Surely such a state of affairs should never have prevailed. Lakhs of rupees spent in 1946–47 would not have been held back from the Finance Department and could not have been unknown to them in 1948 and 1949. They need not have waited for the Auditor-General's report. The Auditor-General reported in 1948; still it was slept over. What happened in 1946–47 might have been going on in the year before last, last year and this year also, when the Hon. Mr. Gopala Reddi has been in charge. We do not know what the Auditor-General will say about 1947–48, 1948–49 and 1949–50. We have no idea at all. It might be that crores of rupees have been spent which have escaped the notice of his department and which might not have been reported to his department. I ask the Hon. the Minister whether he can assure us that he will tighten his control and see that every item of expenditure is reported to his department. I am afraid that this irregularity might be continued in later years. Therefore, I ask the Hon. the Finance Minister to give an assurance that he will tighten his control and see that this irregularity is not continued, and that the expenditure incurred by the various departments is reported to his department so that he may keep himself informed of what is happening, and it may not happen that three years later it would be discovered by the Auditor-General for the first time that crores of rupees have been spent and the Legislature requested to approve it. Sir, we may not have an obliging legislature at that time to grant this undiscovered expenditure. This shows, Sir, that everything is in a mess. As soon as the Accountant-General's report came, the first thing that the Finance Department should have done is to see whether any such irregularity has happened in the subsequent years 1947–48, 1948–49 and 1949–50. The Finance Department must know what expenditure is being incurred in the various departments, so that the Finance Minister may control that expenditure. I hope that hereafter at least he will tighten his control and have effective control on the expenditure. Can we have faith in him that he will carry out this obligation, which is one of the primary obligations of his department?"

* THE HON. SRI B. GOPALA REDDI :—" Sir, the hon. Leader of the Opposition has stated that the Finance Department is not exercising sufficient control. The hon. Member must remember that the Finance Department does not do the work of the Accountant-General. These are two distinct departments, and their work is quite different. While the Finance Department sanctions schemes, they know at that point that a particular scheme costing so much is being sanctioned. Later on, the actual disbursements are made by the Accountant-General and he maintains the accounts. It is up to the spending department to see how far it has been spending; it is up to that department either to surrender any amounts available with it or ask for more moneys which may be incorporated in the supplementary 3–45 p.m.

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demands. That is how it is being done. Sometimes, of course, there may be occasions when it may not be possible for the spending department to assess what exactly will be its commitment during the last portion of the financial year and therefore sometimes it does exceed the demand. Full notes have been given under what circumstances these demands were exceeded, and there is nothing wonderful that the Accountant-General has done in discovering something which has been kept sealed or covered, and all that. It is not as though he has discovered some grave mistakes committed by the spending department or by the Finance Department. It is very usual; if the hon. Member only cares to look into the past year's accounts every year, I think there has been excess demand which has been approved by the Legislature, and there is nothing abnormal now. Especially if you remember the conditions under which the Congress Ministry was functioning immediately after taking over from the Advisers' regime, the food difficulty, and the post-war problems confronting the Government, you will agree that the Government could not anticipate exactly what would be their commitments in the next financial year. So in a few cases the demands have been exceeded; they are not many after all; only under ten demands the amounts have been exceeded; and the total amount is not a large amount. I think the hon. Leader of the Opposition need not take advantage of this opportunity of advising the Finance Department to have a greater grip over the spending departments. The Finance Department already exercises a grip; but as I said, the accounts are being maintained by the Accountant-General and he has to co-operate with us in maintaining proper accounts. As I said, in some cases it is rather difficult to guess what will be the commitments towards the end of the financial year, and therefore, you find in these notes all points have been elaborated and explained. The Public Accounts Committee who went into the question received explanations from the departments concerned; they interrogated the heads of departments and the Secretaries, and they were satisfied with the explanations given. And it is on their recommendation that we have come forward with these excess demands. I cannot assure the hon. Member that such demands for excess grants will not be required in the coming years either. We will of course take particular care to see that these excess demands do not occur; but when a huge number of departments are working and a large number of works are being sanctioned, it may be that in some departments, the demand is in excess. I do admit that a supplementary demand or an excess demand is not desirable and that everything should, if possible, be incorporated in the Budget itself; but it does not mean that we should not do anything positive during the course of the year, simply because it has not been provided for in the Budget. Sometimes, many surrenders also do happen and we give instructions to heads of departments that they must surrender in good time—there is a time-limit fixed for it within which all available amounts should be surrendered to Government; and they are also asked in certain cases to apply for more amounts, if necessary. We will have to learn by experience and we will give fresh instructions to the heads of departments and rectify mistakes. At the

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same time, it does not mean that all mistakes will be avoided or rectified for all time to come and that everybody will be estimating the expenditure to the last pie. There may be cases, as I said, where the estimate will be exceeded and in such cases, we need not trouble ourselves that something has gone wrong somewhere or that everything is bad with the Finance Department.''

DR. V. K. JOHN :—'' That is an assurance, Sir, that the mistakes would be continued.''

IV.—SUPPLEMENTARY STATEMENT OF EXPENDITURE FOR 1949-50.

THE DEPUTY CHAIRMAN :—'' Discussion on the Supplementary Statement of Expenditure for 1949–50 will now be taken up.''

* SRI R. SURYANARAYANA RAO :—'' Mr. Deputy Chairman, Sir, as I was listening to the reply of the Hon. Minister for Finance on the Demands for 1946–47, I was feeling that he was perhaps answering also in advance, the points likely to be made in connexion with the Supplementary Demands for 1949–50 which he is presenting to-day. Sir, most of the trouble with these Demands seems to be due to the fact that when Government Orders are issued sanctioning amounts, the following paragraph invariably occurs. I would like the Hon. Minister for Finance to look into any number of the Government Orders that are being issued by different departments :

'Expenditure on account of this sanction should be debited to . . . head. The Head of the department is requested to apply for the necessary additional appropriation in due course. Pending provision of funds, the Accountant-General is requested to admit the expenditure in audit.'

If all these sentences are taken together, they expect the Finance Department should follow up and see whether the head of the department has asked for additional funds. It is a troublesome task. What I am suggesting to the Hon. Finance Minister is that in very very exceptional cases only these sentences may come in Government Orders sanctioning funds, exceptional circumstances like famine, pestilence, cyclone, etc. And if there is already provision under the proper head, there is no need for the sentence. Because there is no provision under that particular head to which the sanctioned amount is to be debited, the Government are asking the Head of the department to apply for additional funds. What I am saying is I appreciate with my hon. Friend the Leader of the Opposition, the difficulty of the Finance Department in following up in such instances. I should like the Hon. Minister for Finance to issue instructions to all departments and to his department that, as far as possible, amounts may be allotted out of a particular head, if funds are available; and unless the circumstances are exceptional, and if they are ordinary matters which can wait, they should wait till he introduces the supplementary demands in the Legislature. In fact, the Hon. Finance Minister is bringing up supplementary demands twice every year; if necessary, he can come even thrice and keep the Legislature informed of the progress of expenditure—of course there is nothing wrong in sanctioning in anticipation certain amounts, sometimes but only under